PURCHASE OF PRISON-MADE GOODS BY FEDERAL AGENCIES

HEARING

BEFORE THE

SUBCOMMITTEE ON CRIMINAL LAW

OF THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 1747

A BILL TO AMEND SECTION 4124 OF TITLE 18, UNITED STATES CODE, RELATING TO THE PURCHASE OF PRISON-MADE PRODUCTS BY FEDERAL DEPARTMENTS, TO ALLOW IN CERTAIN CASES, THE PURCHASES OF SIMILAR PRODUCTS FROM SMALL BUSINESSES

SEPTEMBER 23, 1982

Serial No. J-97-142

Printed for the use of the Committee on the Judiciary

U.S. GOVERNMENT PRINTING OFFICE

11-449 O WASHINGTON : 1983

S52127

COMMITTEE ON THE JUDICIARY

STROM THURMOND, South Carolina, *Chairman*

CHARLES McC. MATHIAS, JR., Maryland	JOSEPH R. BIDEN, JR., Delaware
PAUL LAXALT, Nevada	EDWARD M. KENNEDY, Massachusetts
ORRIN G. HATCH, Utah	ROBERT C. BYRD, West Virginia
ROBERT DOLE, Kansas	HOWARD M. METZENBAUM, Ohio
ALAN K. SIMPSON, Wyoming	DENNIS DECONCINI, Arizona
JOHN P. EAST, North Carolina	PATRICK J. LEAHY, Vermont
CHARLES E. GRASSLEY, Iowa	MAX BAUCUS, Montana
JEREMIAH DENTON, Alabama	HOWELL HEFLIN, Alabama
ARLEN SPECTER, Pennsylvania	

VINTON DEVANE LIDE, *Chief Counsel and Staff Director*
MARK H. GITENSTEIN, *Minority Chief Counsel*

SUBCOMMITTEE ON CRIMINAL LAW

CHARLES McC. MATHIAS, JR., Maryland, *Chairman*

PAUL LAXALT, Nevada	JOSEPH R. BIDEN, JR., Delaware
ARLEN SPECTER, Pennsylvania	HOWARD M. METZENBAUM, Ohio
ROBERT DOLE, Kansas	HOWELL HEFLIN, Alabama

MICHAEL R. KLIPPER, *Chief Counsel*
RALPH OMAN, *Staff Director*

CONTENTS

STATEMENTS OF COMMITTEE MEMBERS

	Page
Mathias, Senator Charles McC., Jr	1
Dole, Senator Robert	18

PROPOSED LEGISLATION

S. 1747, a bill to amend section 4124 of title 18, United States Code, relating to the purchase of prison-made products by Federal departments, to allow in certain cases, the purchases of similar products from small businesses	2

CHRONOLOGICAL LIST OF WITNESSES

Schmitt, Hon. Harrison, H., a U.S. Senator from the State of New Mexico, and Phil Archuletta, Ojo Caliente Craftsmen, Inc., Ojo Caliente, N. Mex	2
Miles, Jerome, Deputy Chief for Administration, Forest Service, U.S. Department of Agriculture; Gene Van Arsdale, Deputy Associate Administrator for Procurement and Technical Assistance, Small Business Administration; and Ronald W. Piasecki, Director, Office of Acquisition and Property Management, U.S. Department of the Interior	18
Carlson, Norman A., Director, Bureau of Prisons, and Commissioner Federal Prison Industries, Inc., U.S. Department of Justice, accompanied by Gerald Farkas, Assistant Director and Associate Commissioner, Federal Prison Industries, Inc	26

ALPHABETICAL LIST AND MATERIAL SUBMITTED

Archuletta, Phil:	
Testimony	2
Letter, with exhibits, from Federal Prison Industries, Inc., Washington, D.C., April 7, 1981, to Alamosa Ranger District, La Jara, Colo	9
Carlson, Norman A.:	
Testimony	26
Prepared statement	31
Farkas, Gerald: Testimony	26
Miles, Jerome:	
Testimony	18
Prepared statement	24
Piasecki, Ronald W.: Testimony	18
Schmitt, Hon. Harrison H.: Testimony	2
Van Arsdale, Gene:	
Testimony	18
Prepared statement	25

PURCHASE OF PRISON-MADE GOODS BY FEDERAL AGENCIES

THURSDAY, SEPTEMBER 23, 1982

U.S. SENATE,
SUBCOMMITTEE ON CRIMINAL LAW,
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:47 a.m., in room 2228, Dirksen Senate Office Building, Senator Charles McC. Mathias, Jr. (chairman of the subcommittee) presiding.

Staff present: Ralph Oman, staff director; Charles Borden, professional staff member; and Linda Colancecco, chief clerk.

OPENING STATEMENT OF SENATOR CHARLES McC. MATHIAS, JR.

Senator MATHIAS. The subcommittee will come to order. Today, the Subcommittee on Criminal Law will hear testimony on Senate bill 1747, introduced by Mr. Schmitt, which would allow federal agencies, under certain circumstances, to make purchases from small business rather than from Federal Prison Industries.

Section 4124 of title 18 of the United States Code requires Government agencies to buy products they need from the Federal Prison Industries program when those products are available. The program was established in 1930 to prevent idleness and to provide training to Federal prisoners so they could be able to get jobs when released from prison. The legislative record seems to suggest that Congress wanted to make sure that the program did not compete with the private sector.

Senator Schmitt's proposed amendment to this law would allow agencies to bypass Federal Prison Industries and go directly to small business in the private sector, as I understand it, if any one of three conditions are met: first, if the order is for $20,000 or less; second, if a previous order from Prison Industries was unfilled after 120 days; or, third, if delivery to the agency cannot be guaranteed within 120 days.

This is a problem of particular impact in the Southwest, New Mexico and southern California, where the National Forest Service has experienced long delays in the delivery of road signs for use in the national parks and forests.

Occasionally, the agencies have solved the problem on an ad hoc basis by negotiations with Prison Industries. But this solution runs across Federal procurement regulations and has not been consistently effective. There are still complaints from the private sector

over orders lost by Prison Industries even when Prison Industries is not equipped to handle the order.

[Text of S. 1747 follows:]

[S. 1747, 97th Congress, 1st session]

A BILL To amend section 4124 of title 18, United States Code, relating to the purchase of prison-made products by Federal departments, to allow in certain cases, the purchases of similar products from small businesses

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4124 of title 18, United States Code, is amended by—

(1) designating the first undesignated paragraph as subsection (a) and the second undesignated paragraph as subsection (b); and

(2) adding at the end thereof the following new subsection:

"(c) Nothing in this section shall prohibit the purchaser of products from other sources when—

(1) the order is for items amounting to $20,000 or less; or

(2) a previous order is unfilled within one hundred and twenty days; or

(3) the delivery of such products to a common carrier or other agent of transfer cannot be guaranteed by the Federal Prison Industries, Inc., within one hundred and twenty days of the order.

If the conditions of the preceding sentence are met, it shall not be necessary to obtain prior clearance from the Federal Prison Industries Inc.".

Senator MATHIAS. Our first witness today will be Mr. Schmitt, who is accompanied by Mr. Phil Archuletta.

Senator Schmitt?

STATEMENTS OF HON. HARRISON H. SCHMITT, A U.S. SENATOR FROM THE STATE OF NEW MEXICO, AND PHIL ARCHULETTA, OJO CALIENTE CRAFTSMEN, INC., OJO CALIENTE, N. MEX.

Senator SCHMITT. Thank you, Mr. Chairman, and I appreciate that excellent summary of what we are trying to do. And I would introduce to the committee, and commend his testimony to you, Mr. Phil Archuletta, who is a principal in the Ojo Caliente Craftsmen of northern New Mexico, which is a high-technology small business operation of 12 and now, I guess, almost 13 years' experience, in the middle of one of the highest unemployment areas in the country—an area that has suffered high unemployment since the Great Depression.

Unfortunately, there has not been the kind of economic development that is possible, I believe, in that area. We are struggling to find other opportunities to utilize the natural resource base of the area. But where we have a successful business, we like to make sure that it stays successful, in fair competition, in this economy.

I want to thank you, Mr. Chairman, particularly for calling this hearing on S. 1747. I introduced this bill last year to give private sector relief from a Federal law that has been left unattended for too long.

On May 8, 1930, the Senate passed H.R. 7412. Among other things, this bill provided for the establishment of the Federal Prison Industries, Inc., otherwise known as FPI. The purpose of FPI was to give the Attorney General "authority to establish industries in the Federal correctional institutions so that he may provide useful and stimulating employment for every inmate and sell the products of their labors to some Government department or establishment." That is a direct quote from the House committee report.

Providing corrective and rehabilitative employment for inmates is very important when properly carried out and categorized. I do

not believe many will disagree with that statement. However, the report makes one other point which is very critical to the issue before us.

Congressman Graham, at that time chairman of the House Judiciary Committee, received a letter from the Attorney General and parts of that letter were included in the House report. The Attorney General, with the concurrence of the House committee, wrote that FPI should "alleviate the appalling amount of idleness among the inmates without competing either with outside labor or private business." The committee went on to make it mandatory for Federal agencies to sell goods at current market prices.

Now, I suspect, Mr Chairman, digressing some from my prepared testimony, that it is theoretically impossible for there not to be some competition. As long as the FPI is going to produce goods that might be produced in the private sector, there is going to be competition. What is at issue here is: Is that competition going to be fair, and is the Government going to be able to get the products that they need in a timely way and with the quality required?

In 1982, Mr. Chairman, the intent of the law, wrought, of course, by our predecessors, is no longer being served, as I have suggested. The FPI has a huge backlog of orders. The quality of materials delivered to the Federal agencies is poor. The cost of FPI products is high, and the cost to the taxpayer is commensurately high.

The reason for this is simple. The Federal prison system is not in business in the same way that private industry is in business. It is in the business of rehabilitating convicted criminals, not in producing quality products in a timely manner and to make a small profit. As it has a monopoly over the sale of some products to the Federal agencies, it has no incentive to produce timely, high-quality and cost competitive products. It is not the primary mission of the FPI to be efficient.

This situation was brought to my attention by a group of craftsmen who operate a small business in Ojo Caliente, N. Mex., in the northern part of the State. A representative of Ojo Caliente, Mr. Phil Archuletta, as I indicated, will testify later in this hearing about the specifics of their problems with the FPI, and I commend this to you as a case study—one which I think has general applicability to the entire problem.

In general, that problem is as follows. The Forest Service in region 3 has, from time to time, waded through the mire of regulations and bureaucratic inertia and obtained a waiver from the FPI which allowed the Ojo Caliente craftsmen to produce signs for the Forest Service roads in that region, region 3. The foresters tell me that the signs are of high quality, produced in a timely manner, and inexpensive. I have certainly driven those roads on many, many occasions, and I would attest to that same fact.

In addition, in the production of those signs, this group of young craftsmen in northern New Mexico have become high-technology producers, developing in that area the use of an Eastman-Kodak process for sign production that is truly remarkable, and are one of the few operations in the country, as I understand it, to use this process successfully outside of Eastman itself.

I have visited the high-technology plant in northern New Mexico and agree with the assessment that they are doing an outstanding

job. The Forest Service wishes they could deal with Ojo Caliente all of the time and throughout the Forest Service rather than just in this isolated region. In fact, other agencies have similar inclinations, particularly the Bureau of Land Management.

It seems that this is the case elsewhere, especially in the Western States. Much of the developing forest land is in the West, while most of FPI's capacity is in the East. This imposes very high delivery costs and long lead times on every order going to the FPI. The taxpayer pays all of these costs, one way or the other.

S. 1747 solves these problems, if it is enacted into law, without stepping outside the intent of the original law dealing with FPI. The bill provides that for orders under $20,000, an agency may deal directly with a private contractor. This will allow the big orders still to go to the FPI and maintain their capacity, while allowing the smaller orders to go to the business sector, specifically the small business sector of our economy.

The bill further provides that all orders must be shipped within 120 days of receipt of the orders. If the FPI cannot guarantee this timely manufacture date, the order must be given automatic waiver and handed over to a private contractor, or if the FPI has an order outstanding to the particular agency office that has gone unfilled for 120 days, the office may again deal with a private contractor and cancel the order with the FPI.

This bill will give the FPI the incentive to become more efficient and compete for orders on a timely basis. It will give small businesses more business and reduce the taxpayer's burden by removing an old inefficiency based on an old law.

Mr. Chairman, I want to thank you once again for holding these hearings, and I hope that the committee will be able to report this legislation promptly.

Now, I would be happy to answer any questions that you may have. It might be useful at this point, Mr. Chairman, if I may be so bold, to hear from Mr. Archuletta.

Senator MATHIAS. I think that is a good suggestion.

Mr. Archuletta?

Mr. ARCHULETTA. Mr. Chairman, my name is Phil Archuletta. I testify in support of Senate bill 1747. I represent a small, minority business firm in an economically depressed rural area in northern New Mexico. The name of my firm is Ojo Caliente Craftsmen.

Our firm manufactures signs and other traffic control devices for roads and streets in towns, cities, counties, States and Federal public lands. The majority of our business comes from Federal agencies administering public lands, such as the Forest Service, the Park Service, the Bureau of Indian Affairs, the Army Corps of Engineers, the Bureau of Reclamation, and so on.

Most of our traffic sign orders from Federal agencies are aimed at complying with your Highway Safety Act of 1966, Public Law 89-564, 23 United States Code, chapter 4, section 402a. These agencies order from our company because they get top quality, long-lasting signs, delivered quickly at a very low price. We build better quality signs than FPI, deliver them faster than FPI, and our prices are much lower than FPI.

We began our small business 14 years ago in the village of Ojo Caliente, N. Mex. Five of us formed a cooperative and put up $25

each. Since unemployment in our county, Rio Arriba, was over 30 percent, we went to work for ourselves because there were no jobs.

We now employ 50 people from six different small villages nearby. We are one of the largest employers in our county, and 50 families who were on welfare are earning their own living and paying taxes. Our annual payroll is $350,000, all of which remains in the county. This kind of thing can only happen in America under the free enterprise system.

Our corporation has now become the symbol in Hispanic northern New Mexico of hope and new possibilities. We suggest that neither the taxpayers nor the free enterprise system is well served when Federal Prison Industries has a total monopoly over certain products supplied to Federal agencies.

We respectfully urge your favorable consideration of this measure. Our disagreement is not with the "meaningful employment" concept of inmate-produced products; rather, that the law as presently enforced works an undue hardship on both the private small business producer and public lands administrators alike.

Under the present system, any product in excess of $25 purchased by Federal agencies must be acquired from Federal Prison Industries. But the current law is over 50 years old. Perhaps the legislation had meaning in 1930, but not today. One 30-inch stop sign cannot be purchased for $25.

Any research into the many supporters of this amendment will reveal intense positive interest among Federal agencies at all levels, especially the field engineers and administrators responsible for highway safety and public service transportation problems of our many military installations, the U.S. Forest Service, Corps of Engineers, DOD base commanders, national parks, the Bureau of Reclamation, and the like.

The simple mechanics and paperwork generated in the process of procuring waivers from Prison Industries for anticipated requirements is frustrating and self-defeating, according to the many field Federal officers to whom we have spoken. Moreover, the inability of Federal Prison Industries to respond to emergencies creates dangerous situations to the public and exposes the Federal Government to large tort liability. Let me give you an example.

In March 1978, the southwestern region of the Forest Service sustained $9 million worth of flood damage in six national forests in Arizona and New Mexico. Bridges were washed out, roads were destroyed, and the traveling public had to be warned of hazards on 4,000 miles of damaged roads.

Ojo Caliente Craftsmen took telephone orders for all traffic control signing needs to warn the public. We delivered the signs to the Forest Service in 11 days. There were 11 tons of signs worth $55,000, on which we worked around the clock to produce in 8 days. We operated under a unique clearance from Federal Prison Industries granted a year in advance of the disaster.

My point is that Ojo can respond quickly to satisfy the needs of Federal agencies in their attempts to comply with highway safety requirements. However, if the southwestern region of the Forest Service did not have this blanket clearance, a clearance from Federal Prison Industries could not have been acquired in sufficient time to warn the public. I stress that the blanket clearance was a

11-449 0 - 83 - 2

unique situation. No other region of the Forest Service has had such a clearance.

Nationally, our industry is relatively small and is not dominated by any large national concerns. The needs and requirements of local Federal agencies and military installations are best served by local producers. Nor is our interest in this measure totally self-serving. Competition among local taxpaying producers for agency business will result in significant cost effectiveness.

In summary, we submit the following for your consideration. One, the present signmaking facilities of Prison Industries cannot meet the needs of all Federal agencies, causing many agencies to maintain larger than necessary inventories or simply not complying with highway safety requirements.

Two, costs of our products are historically much less than those charged by Prison Industries to Federal users.

Three, our industry is able to produce and deliver on short notice, both for routine maintenance and emergencies. This ability can save lives in emergencies and will result in more manageable inventories and general cost effectiveness.

Four, passage of this measure would in no way reduce the inmate manpower requirements of the various prison industry shops. It will allow them to better serve the needs of agencies for their larger requirements.

Five, in many States—New Mexico is one—State agencies are required to purchase from State-operated prison industries, further restricting the growth and health of a small business creating employment and paying taxes.

Finally, passage of this amendment would materially enhance the growth of employment in our small industry and subsequent increases of Federal taxes and tax return to our several States, while not subverting the basic objectives of the original law.

Senator SCHMITT. Mr. Chairman, I am sure that we both would be happy to answer any questions you might have. Again, we appreciate your consideration.

Senator MATHIAS. Thank you, Mr. Schmitt. The exhibits that accompany your statement and that of Mr. Archuletta indicate that he can provide comparable products at lower cost than Prison Industries, and this is an intriguing fact.

Senator SCHMITT. If the Senator would yield, I would say they are more than comparable, from my experience.

Senator MATHIAS. Maybe Mr. Archuletta could tell us how he is able to produce better goods for lower money. That is, after all, one of the great objectives of all business everywhere.

Mr. ARCHULETTA. Well, our business is to produce signs at a fast rate—quality signs. We have our production schedule set up to flow smoothly. We can buy inventories, and using the labor force that we have available to us, we are able to, I think, cut our costs down to be able to produce signs the way we do.

Senator MATHIAS. Senator Schmitt, if I can guess what the prison authorities will testify—I cannot predict it, but I might guess—they will not argue with your testimony that a problem exists. They will admit that it exists, but say that rather than change the law, these particular problems should be corrected.

If I am accurate in that prediction, what would your comment be?

Senator SCHMITT. My basic comment would be that if they can correct the problem, then it would be consistent with what we are asking be done in this law. Certainly, correcting the problems is the objective of the bill, and if they can do that, then there is no harm done in passage of this legislation.

I think the most important thing, though, is getting a certain amount of the small-order business and the emergency order business clearly defined as the purview of small business. As Mr. Archuletta has indicated, there is plenty of work to be done, and Federal Prison Industries, Inc., should concentrate on the large orders and see if they can get a delivery schedule and a quality in those orders that is commensurate with what small business and private business in general can do. That should be their objective, and not worry about the small orders or orders that they just cannot fill.

Senator MATHIAS. Now, Mr. Archuletta, you have put some emphasis on the fact that emergency conditions arise, and unless there is an ability to bypass Prison Industries, the emergency orders cannot be filled. I think that is an interesting point.

Are there any other similar situations that occur to you that we ought to think about in connection with this legislation?

Mr. ARCHULETTA. Well, right now, I understand that the Federal Government is being sued for somewhere around 30 million dollars' worth of tort claims. The direct responsibility for most of these tort claims is because the highway signs required to guide the motoring public have failed to be put up. Most of these reasons are because the warning signs and guide signs and regulatory signs have been delayed by Prison Industries and have not been able to be put up.

The other thing that I might add to that is that working with the different agencies—the BIA and the Park Service—they have tried a number of times to get clearances and have been unsuccessful in doing so. They also have tried to go for memorandums of understanding and they have also not worked.

Senator SCHMITT. Mr. Chairman, I think Mr. Archuletta is referring to clearances or waivers to the existing law. Now, it is possible to get those waivers, but as he has indicated, it is an extraordinarily tortuous process and, more often than not, they are impossible to get.

I do not know of any other region besides region 3 of the Forest Service that covers New Mexico and other southwestern States that has been persistent enough to finally get waivers such as enables them to do business with the Ojo Caliente Craftsmen.

There is a tremendous backlog of signs and related articles in the forest system, in the public lands system managed by the Bureau of Land Management, in the Park Service and in other Federal activities. And as Mr. Archuletta has indicated, it is resulting in a direct cost to the Government as a consequence of tort claims, and almost certainly valid tort claims, not to mention the loss of human life and injury that come with an accident that is the result of not having the proper warning or cautionary signs available in the forest or other public lands system.

Senator MATHIAS. Thank you very much, Senator Schmitt, for your testimony, and Mr. Archuletta.

Senator SCHMITT. Thank you, sir.
Mr. ARCHULETTA. Thank you.
[Exhibits submitted by Mr. Archuletta follow:]

The following exhibits show Ojo Caliente Craftsmen prices lower than the Federal Prison Industries for the same sign.
F.P.I., $928.00; Ojo Caliente Craftsmen, $406.45.

U.S. Department of Justice

UNICOR
Federal Prison Industries, Inc.

Washington, DC 20534

APR 13 1981

CLEARANCE # 1738

Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

Date 4-7-81

Gentlemen:

Your reference: 08-09-03-81

Our reference: FTW# 2194

Federal Prison Industries, Inc., appreciates receiving your purchase order or inquiry, but regrets that, at this time, the products listed are not available from any of the Industries authorized under Acts of Congress, as provided in Chapter 307 of Title 18 of the United States Code, Sections 4121 to 4128.

Accordingly, this clearance is issued and a copy should be attached to any voucher when submitted to the General Accounting Office covering purchase from other sources, or reference made thereto.

FEDERAL PRISON INDUSTRIES, INC.

D. M. Consolver, Marketing Specialist

Quantity	Unit	Description

SEE ATTACHED SHEET FOR PRICES.

Due to our backlog of orders at our wood routing factory; we are unable to meet your requested delivery date of May 30, 1981.

Thank you.

$1,4 million

FPI Form 84
Revised April 1980

FPI—GAO—11-0-79-10,799 SETS-799

BEST COPY AVAILABLE

F.P.I. PRICE

STOCK NO.	DESCRIPTION		PRICE PER FACTORY	DELIVERY ADD
Item 1	Sign, 5 x 24 (TD-1)	1	$ 28.50	$ 28.50
Item 2	Sign, 5 x 24 (TD-1)	1	$ 30.35	$ 30.35
Item 3	Sign, 11 x 30 (TD-4)	1	$ 100.50	$ 100.50
Item 4	Sign, 9 x 30 (TD-3)	1	$ 76.70	$ 76.70
Item 5	Sign, 3 x 30 (TD-3)	1	$ 76.70	$ 76.70
Item 6	Sign, 5 x 18 (TD-1) ,	1	$ 22.45	$ 22.45
Item 7	Sign, 5 x 30 (TD-1)	1	$ 27.35	$ 27.35
Item 8	Sign, 5 x 30 (TD-1)	1	$ 31.30	$ 31.30
Item 9	Sign, 7 x 24 (TD-2)	1	$ 53.15	$ 53.15
Item 10	Sign, 7 x 30 (TD-2)	1	$ 56.15	$ 56.15
Item 11	Sign, 9 x 30 (TDW-3)	1	$ 86.80	$ 86.80
Item 12	Sign, 5 x 30 (TDW-1)	1	$ 44.70	$ 44.70
Item 13	Sign, 16 x 48 (FRD-2-4)	1	$ 73.05	$ 73.05
Item 14	Sign, 10 x 60 (FRD-1-4)	1	$ 58.55	$ 58.55
Item 15	Sign, 10 x 60 (FRD-1-4)	1	$ 58.55	$ 58.55
Item 16	Sign, 16 x 72 (FRD-2-4)	1	$ 103.85	$ 103.85
		16	TOTAL	$ 928.65

Trail Guide Sign

< 1.0 S.F. -

PRICE → F.P.I. = #28.50

PRICE → O.J.O. = #15.40

$\frac{15.40}{28.50} = 54\%$

It costs 46% more to do business w/ F.P.I. a 1 □' Sign

SLB:

ROAD GUIDE SIGN

PRICE

F.P.I. = $\frac{58.55}{73.05}$ / 4 S.F. = $\frac{\#14.63}{\#18.26}$ S.F.

O.J.O. PRICE = $\frac{48.40}{4 SF} = 12.10$ S.F.

$\frac{12.10}{14.63} = 83\%$

It costs 17% extra to do business w/ F.

BEST COPY AVAILABLE

OJO CALIENTE CRAFTSMEN CO-OP

P. O. BOX 67
OJO CALIENTE, NEW MEXICO 87549
PHONE (505) 583-2383

M Rio Grande National Forest Date 06-15 19 81

Address 1803 WEST Highway 160, Monte Vista, Colo. 81144 Cust. Order No. 49-82AK-1-490

Del. To. Box 5206, Lb Fano Ca 91140 Via T, C, X

SOLD BY	CASH	C.O.D.	CHARGE	ON ACCOUNT	MDSE RETD	PAID OUT
				✓		

QUANTITY	DESCRIPTION	PRICE	AMOUNT
16	SQ FT. S3210 @ 12.06 PER SQ FT = 193.60		193.60
10.5	SQ FT S3210 @ 15.40 PER SQ FT = 161.70		161.70
30	SQ FT SL100 @ .19 PER SQ FT = 5.15		5.15
		TOTAL	406.45
	4645		
	06-15-81		
	Chas. T. Gribble by JJ		
	DIST. TREAS.		
		TOTAL	406.45

No. 3194 ALL claims and returned goods MUST be accompanied by this bill. Received by

ESPAÑOLA TYPEWRITER & OFFICE · ESPAÑOLA, NEW MEXICO 87532

BEST COPY AVAILABLE

PURCHASE ORDER

PAGE NUMBER	CONTRACT NUMBER	ORDER DATE	REQUISITION/PURCHASE NO.
1 OF 1	54-82S9-1-041	050581	40-32AK-1-490

CHECK ONE: ☐ Purchase Order-Use Reverse ☒ Delivery Order

TO: (Seller)
OJO CALIENTE CRAFTSMEN, INC.
BOX 67
OJO CALIENTE CRAFTSMEN, NM 87549

SHIP TO: (Consignee and Destination)
Rio Grande National Forest
Alamosa Ranger District
Box 520 G
La Jara, CO 81140

ITEM NO.	ACT. CODE	DESCRIPTION	QUANTITY	UNIT ISSUE	UNIT PRICE	AMOUNT
1		Signs as follows S-22 Blanca Peak Trail	2	EA	48.40	96 8
		S-22 (1)	1	EA	96.60	96
		S-31 (1)	3	EA	30.80	92
		S-31 (1)	6	EA	15.40	77
		S-31 (1)	1	EA	15.30	15
		S-31 (1)	1	EA	23.10	23
		S-61 (1)	1	EA	34.10	34
		S-61 (1)	1	EA	17.05	17
	-	ATTACHED: Supplemental Terms & Conditions Negotiated Pursuant to Small Business Set-aside Title 41 USC Authority 302 (C) (1)				

SELLER'S ORIGINAL

F.O.B. POINT	DISCOUNT TERMS	TOTAL ▷
Destination	Net	453 [illegible]
TIME FOR DELIVERY	SHIP VIA	
30 days	--	

DO NOT SHIP ORDER TO THIS ADDRESS (Ship to Consignee Address Above)

BILLING INSTRUCTIONS:
Furnish invoice with our ORDER NUMBER to:
U.S. DEPARTMENT OF AGRICULTURE
National Finance Center
P.O. Box 60075
New Orleans, Louisiana 70160

FAILURE TO SHOW OUR PURCHASE ORDER NUMBER ON INVOICE WILL DELAY PAYMENT
FREIGHT CHARGE OVER $100 REQUIRES BILL OF LADING

ISSUING OFFICE NAME AND ADDRESS
Rio Grande National Forest
1803 West Highway 160
Monte Vista, CO 81144

ORDERED BY (Name and Title)
KATHY CHISHOLM, Procurement Clekr
PHONE (Area Code and Number)
303-852-5941
AUTHORIZED SIGNATURE
Kathy Chisholm

BEST COPY AVAILABLE

SIGN REQUISITION

(Reference FSH 7109.11)

4. Requisition: 01 81 22

5. Appropriation: MC 112

6. Name and Address of Ordering Unit (Enter Zip Code)
Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

7. Ship To (Include Zip Code)
Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

8. For Assistance Contact (Enter Name): Doug Haertzen

9. FTS Telephone Number:

10. Commercial Telephone Number: 303-274-5193

11. Sign Identification	12. Enter Variable Message Below	13. Materials Required (Enter X in appropriate box(s))
Sign Number 1 S-31 (1) Quantity 1 Price $ 15.40 Subtotal $	← Blowout Pass 8 5 X 20 5'x20" = 10.0 A x 15.40 = 15.40	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☐ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☐ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non-Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number 2 S-31 (1) Quantity 1 Price $ 15.40 Subtotal $ -	Rock Creek C G 8 → 5 X 20 5'x20" = 10.0 A x 15.40 = 15.40	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☐ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non-Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number 3 S-31 (1) Quantity 1 Price $ 30.80 Subtotal $	Blowout Pass Dry Creek Driveway So. Rock Cr Trail 1 → No. Rock Cr Trail 3.5 → 11 X 26 11'x26" = 20 A x 15.40 = 308.0	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☐ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non-Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number S-31 (1) 4 Quantity 1 Price $ 30.80 Subtotal $	← Dry Creek Driveway Blowout Pass 1 No. Rock Cr Trail 2.5 → 9 X 2.7 9"x27"=15 A x 15.40 = 231.0	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☐ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non-Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood

14. Submitted By (Signature): Mary Jane Miller
15. Approved By (Signature): Mary Jane Miller
16. Date: 4/-3/81
17. Total Order $
18. Sign Coordinator (Signature)
19. Date

Previous edition of this form is obsolete.

11-449 O - 83 - 3 BEST COPY AVAILABLE

SIGN REQUISITION

(Reference FSH 7109.11)

4. Requisition: 01 81 22

5. Appropriation: MC 112

6. Name and Address of Ordering Unit (Enter Zip Code)

Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

7. Ship To (Include Zip Code)

Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

8. For Assistance Contact (Enter Name): Doug Haertzen

9. FTS Telephone Number:

10. Commercial Telephone Number: 303-274-5193

11. Sign Identification	12. Enter Variable Message Below	13. Materials Required (Enter X in appropriate box(s))
Sign Number: 5 S-31 (1) Quantity: 1 Price: $ 30.80 Subtotal: $	← Dry Creek Driveway ← So Rock Cr Trail 2.5 ← Blowout Pass 3.5 9"x25" .5"x15"=23.10	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☒ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non-Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number: 6 S-31 (1) Quantity: 1 Price: $ 15.40 Subtotal: $	Big Lake 3 5"x12" .5"x15"=7.70 5x12	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☒ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non-Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number: 7 S-31 (1) Quantity: 1 Price: $ 15.40 Subtotal: $	Lake Fork C G 3 5"x17" .5"x15"=7.70 5x17	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☒ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non-Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number: 8 S-31 (1) Quantity: 1 Price: $ 15.40 Subtotal: $	So Zapata Lake 5 → 5"x20" .5"x15"=7.70 5x20	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☒ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood

14. Submitted By (Signature): Mary Jane Mellin

15. Approved By (Signature): Mary Jane Mellin

16. Date: 4/23/81

17. Total Order: $

18. Sign Coordinator (Signature):

19. Date:

Previous edition of this form is obsolete

BEST COPY AVAILABLE

SIGN REQUISITION

(Reference FSH 7100.11)

4. Identification: 01 81 22

5. Appropriation: MC 112

6. Name and Address of Ordering Unit (Enter Zip Code)

Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

7. Ship To (Include Zip Code)

Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

8. For Assistance Contact (Enter Name): Doug Haertzen

9. FTS Telephone Number:

10. Commercial Telephone Number: 303-274-5193

11. Sign Identification	12. Enter Variable Message Below	13. Materials Required (Enter X in appropriate box(s))
Sign Number 9: S-31 (1) Quantity: 1 Price: $ 23.10 Subtotal: $	No Fork So Zapata Creek Lake 2.5 7"x23" 1.0 x 15.40 = 15.40	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☒ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number 10: S-31 (1) Quantity: 1 Price: $ 15.80 Subtotal: $	← Cat Creek Trail 8 ← Alamosa C G 10 7"x22" 1.0 x 15.40 = 15.40	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☒ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number 11: S-61 (1) Quantity: 1 Price: $ 34.10 Subtotal: $	← Continental Divide Trail Lake Ann 3 Adams Fork Trail 4.5 → 10"x32" 2.99 x 11.05 = 34.10	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☒ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non-Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood
Sign Number 12: S-61 (1) Quantity: 1 Price: $ 17.05 Subtotal: $	Three Forks Park 3.5 → 6"x24" 1.0 x 17.05 = 17.05 6x24	☐ Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood ☒ Routed Wood Signs: ☐ Painted ☐ Stained (Red) ☐ Stained (Gray) ☐ Unstained ☐ Cedar ☒ Redwood ☐ Oak ☐ Plywood ☐ Metal Banding ☐ Non Reflectorized Signs: ☐ ABS ☐ Aluminum ☐ Plywood

14. Submitted By (Signature): Mary Anne Fuller

15. Approved By (Signature): Mary Anne Fuller

16. Date: 4/23/82

17. Total Order $

18. Sign Coordinator (Signature)

19. Date

Previous edition of this form is obsolete

BEST COPY AVAILABLE

SIGN REQUISITION

(Reference FSH 7109.11)

4. Requisition: 01 80 22

5. Appropriation: MC 112

6. Name and Address of Ordering Unit (Enter Zip Code)

Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

7. Ship To (Include Zip Code)

Alamosa Ranger District
RFD Box 520 G
La Jara, Colorado 81140

8. For Assistance Contact (Enter Name): Doug Haertzen

9. FTS Telephone Number:

10. Commercial Telephone Number: 303-274-5193

11. Sign Identification	12. Enter Variable Message Below	13. Materials Required (Enter X in appropriate box(s))
Sign Number: S-22 (1) Quantity: 1 Price: $ 48.40 Subtotal: $	10 X 60 ← Blanca Peak Trail 4.0 mi	[X] Reflectorized Signs: [ ] ABS [ ] Aluminum [X] Plywood [ ] Painted [ ] Stained (Red) [ ] Stained (Gray) [ ] Routed Wood Signs: [ ] Unstained [ ] Cedar [ ] Redwood [ ] Oak [ ] Plywood [ ] Metal Banding [ ] Non Reflectorized Signs: [ ] ABS [ ] Aluminum [ ] Plywood
Sign Number: S-22 (1) Quantity: 1 Price: $ 48.40 Subtotal: $	10 X 60 Blanca Peak Trail → 4.0 mi	[X] Reflectorized Signs: [ ] ABS [ ] Aluminum [X] Plywood [ ] Painted [ ] Stained (Red) [ ] Stained (Gray) [ ] Routed Wood Signs: [ ] Unstained [ ] Cedar [ ] Redwood [ ] Oak [ ] Plywood [ ] Metal Banding [ ] Non Reflectorized Signs: [ ] ABS [ ] Aluminum [ ] Plywood
Sign Number: S-22 (1) Quantity: 1 Price: $ 96.80 Subtotal: $	16 X 72 So Rock Cr Tr No. 702 → Dry Cr Driveway 3 → 8.0 mi	[X] Reflectorized Signs: [ ] ABS [ ] Aluminum [X] Plywood [ ] Painted [ ] Stained (Red) [ ] Stained (Gray) [ ] Routed Wood Signs: [ ] Unstained [ ] Cedar [ ] Redwood [ ] Oak [ ] Plywood [ ] Metal Banding [ ] Non Reflectorized Signs: [ ] ABS [ ] Aluminum [ ] Plywood
Sign Number: Quantity: Price: Subtotal: $		[ ] Reflectorized Signs: [ ] ABS [ ] Aluminum [ ] Plywood [ ] Painted [ ] Stained (Red) [ ] Stained (Gray) [ ] Routed Wood Signs: [ ] Unstained [ ] Cedar [ ] Redwood [ ] Oak [ ] Plywood [ ] Metal Banding [ ] Non Reflectorized Signs: [ ] ABS [ ] Aluminum [ ] Plywood

14. Submitted By (Signature): Mary Lou Miller

15. Approved By (Signature): Mary Lou Miller

16. Date: 4/25/80

17. Total Order: $

18. Sign Coordinator (Signature):

19. Date:

BEST COPY AVAILABLE

U.S. GOVERNMENT BILL OF LADING
ORIGINAL

B/L NO. K-4A70439

TRANSPORTATION COMPANY

ROUTE ORDER/RELEASE NO.

SOLD TO

TO? THIS CAR OR TRUCK AT U

FOR

IMPORTANT
Regulations require Original, Shipping Order, and Freight Waybill Original and Carriers Copy to be surrendered to carrier after signature. Memorandum Copy SF 1103b must be sent to consignee.

CAR-TRUCK-CONTAINER (Length/Cubic)	MARKED CAPACITY †		DATE † UNLOADED †	DATE B/L ISSUED
ORDERED	FURNISHED	ORDERED	FURNISHED	

† Furnish this information in case of carload or truckload shipments only.

TRUCK OR CONTAINER SEAL AND NO. | SEAL

IF EXTRA SERVICES ARE ORDERED SEE ADMINISTRATIVE DIRECTIONS NO. 2 OR REVERSE

RECEIVED BY THE TRANSPORTATION COMPANY NAMED ABOVE, SUBJECT TO CONDITIONS NAMED ON THE REVERSE HEREOF, THE PROPERTY HEREINAFTER DESCRIBED, IN APPARENT GOOD ORDER AND CONDITION (CONTENTS AND VALUE UNKNOWN), TO BE FORWARDED TO DESTINATION BY THE SAID COMPANY AND CONNECTING LINES. THERE TO BE DELIVERED IN LIKE GOOD ORDER AND CONDITION TO SAID CONSIGNEE.

FROM (Shipping point)

FULL NAME OF SHIPPER: Ojo Caliente Craftsman, Inc.
P.O. Box 67
Ojo Caliente, NM 87549

CONSIGNED TO (Name, address and ZIP code)
Rio Grande National Forest
1803 West Highway 160
Monte Vista, CO 81144

MARKS

DESTINATION (Name of municipality)
Alamosa Ad-Site

(Street address) (City) (State or country) (ZIP code)

If for export, and to be transported in bond, specify office of exit

CHARGES TO BE BILLED TO
DEPARTMENT OR AGENCY: National Finance Center
BUREAU OR OFFICE: P.O. Box 60800
New Orleans LA 60150
(Street address) (City) (State or country) (ZIP code)

APPROPRIATION CHARGEABLE
T2 09 0-0011-2

SEAL NOS.

FOR CARRIER'S USE ONLY
WAYBILL NO. OR FREIGHT BILL NO.

CONTRACTORS WILL RETURN UNUSED OR CANCELED BILLS OF LADING TO GOVERNMENT OFFICE FROM WHICH RECEIVED.

SUPPLIED BY

PACKAGES NO.	KIND	DESCRIPTION OF ARTICLES (Use carrier's classification or tariff description if possible, otherwise use a clear nontechnical description)	NUMBERS OR PACKAGES	WEIGHTS*	FOR USE OF DESTINATION CARRIER ONLY CLASS	RATE	CHARGES DOLLARS	CHARGES CENTS
		Estimated						
		signs $30.00		50#				
		BUNDLE SIGNS		TOTAL 50#				

TARIFF OR SPECIAL RATE AUTHORITIES (CL, TL, or Vol. only)

IF THIS SHIPMENT FULLY LOADS THE CAR OR TRUCK USED, CHECK ☐ YES

SHIPPER FURNISHED ☒ PICKUP ☐ TRAP CAR
INITIALS OF SHIPPER'S AGENT

B/L NO. K-4A70439

FOR USE OF ISSUING OFFICE
CONTRACT OR PURCHASE ORDER NO. OR OTHER AUTHORITY ____ DATED ____
F.O.B. POINT NAMED ____
NAME OF ISSUING OFFICER Kathy Chisholm
DATE 5/11/8 TITLE Kathy Chisholm, Procurement Clerk
ISSUING OFFICE Rio Grande National Forest
1803 West Highway 160 Monte Vista, CO 81144
(Street address) (City) (State or country) (ZIP code)

NAME OF TRANSPORTATION COMPANY

DATE OF RECEIPT OF SHIPMENT 5/11/8 | INITIAL CARRIER'S AGENT, BY SIGNATURE BELOW, CERTIFIES HE RECEIVED THE ORIGINAL BILL OF LADING.

SIGNATURE OF AGENT

CERTIFICATE OF CARRIER BILLING FOR CHARGES—CONSIGNEE MUST NOT PAY ANY CHARGES ON THIS SHIPMENT

I CERTIFY THAT ON ____ (Date) AT ____ (Actual delivery point) THE ____ (Name of delivering carrier)

DELIVERED THIS CONSIGNMENT COMPLETE AND IN APPARENT GOOD ORDER EXCEPT AS MAY BE INDICATED HEREAFTER. ☐ SHORTAGE ☐ DAMAGE

☐ CARRIER EQUIPMENT ATTACHED. CARRIER FURNISHED ☐ DELIVERY ☐ TRAP CAR SERVICE AT DESTINATION

BEST COPY AVAILABLE

Senator MATHIAS. The committee is in receipt of a statement from the Senator from Kansas, Mr. Dole, and that will be made a part of the record at this time.

[The prepared statement of Senator Dole follows:]

PREPARED STATEMENT OF SENATOR BOB DOLE

Mr. Chairman, I welcome this opportunity to express my views to the Subcommittee on S. 1747, Senator Schmitt's bill related to the purchase of prison-made products by Federal agencies. At the outset, I want to renew again the longstanding interest that this Senator has had in reform and modernization of our nation's outmoded and overloaded correctional system. As the author of two bills, S. 186 and S. 1597, which seek to provide Federal financial and technical resources to help modernize and renew State and local correctional facilities and prison industries programs, I have some appreciation for the staggering problems facing those who shoulder the increasingly heavy burdens of correctional administration and operation. The Federal, State and local inmate populations today are at an all-time high. A 12-percent increase nationwide was recorded in the last 12 months. Conditions are overripe for a repeat of the tragedies of Attica and the New Mexico State Prison in recent years. Not only is overcrowding at the critical mass stage, idleness is a way of life. Less than one-fourth of the inmate populations are able to occupy their time in any kind of worthwhile work activity. Meaningful work opportunities that have even a remote chance of being converted into gainful, constructive employment upon release into the community are the exception rather than the rule. Although, by comparison, inmate employment opportunities are somewhat better in the Federal system the harsh reality is that even there not enough real opportunities exist.

It is in this setting that the subcommittee is considering S. 1747. This bill would add another layer of restrictions on prison-made goods. Most current restrictions date back to the turn of this century and the early days of the Union movement. Only since 1979 has Congress eased, in a very limited area, some of these traditional restrictions. This change was a Senate floor amendment by Senator Percy to the Justice System Improvement Act which temporarily removed the prohibitions on interstate movement of prison-made goods in a limited number of pilot projects. Even this authority is due to expire at the end of September.

S. 1747, although modest in its proposed changes to the current statutory framework for marketing of Federal prison industries goods, could well serve as a precedent for giant steps backward into the 18th century.

Mr. Chairman, I shall endeavor to weigh the testimony carefully that is presented here this morning with an open mind. However, I would be less than candid if I did not express reservations about the bills.

Senator MATHIAS. Now, the next witnesses are a panel consisting of Mr. Jerome Miles, Deputy Chief for Administration of the Forest Service; Mr. Ron Piasecki, the Director of the Office of Acquisition of the Department of the Interior; and Mr. Gene Van Arsdale, Deputy Associate Administrator of the Small Business Administration.

Gentlemen, have you decided who is going to lead off? Let me say to each of you that your statements will be included in the record as if read, and you might want to summarize them briefly.

STATEMENTS OF JEROME MILES, DEPUTY CHIEF FOR ADMINISTRATION, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE; GENE VAN ARSDALE, DEPUTY ASSOCIATE ADMINISTRATOR FOR PROCUREMENT AND TECHNICAL ASSISTANCE, SMALL BUSINESS ADMINISTRATION; AND RONALD W. PIASECKI, DIRECTOR, OFFICE OF ACQUISITION AND PROPERTY MANAGEMENT, U.S. DEPARTMENT OF THE INTERIOR

Mr. MILES. I am Jerry Miles from the Forest Service, Mr. Chairman. I have a short statement and perhaps it would be just as well to go ahead and read it.

Senator MATHIAS. Fine.

Mr. MILES. We appreciate the opportunity to appear before the committee to comment on S. 1747. We support the Federal Prison Industries' need to provide useful opportunities for prison inmates and we agree that providing corrective and rehabilitative employment is important.

For several years, we have been purchasing most of our signs from Federal Prison Industries. The Forest Service manages approximately 260,000 miles of roads and over 100,000 miles of trails. Associated with the management of this transportation network is the requirement for informational, directional, and regulatory signs to provide for adequate public safety. Signs for our transportation network are designed to meet the standards established by the Federal Highway Administration. Annually, we purchase an average of 3 to 6 million dollars' worth of signs. Sign replacement is necessary because of weathering, damage, and vandalism.

Our objective is to provide new and replacement signs in a timely manner so as to provide for needed public safety, and obviously to do so at minimal cost to the Government. We have worked closely with FPI in the past to try to insure timely and cost-effective procurement. Despite this close coordination, we have experienced, in a number of cases, delays in receiving orders, high shipping costs, and signs that failed to meet our standards.

Our records show that some sign orders have been delayed up to 9 months. Often, the quality is unacceptable, requiring that they be sent back. In some cases, signs ordered by national forests on the west coast have been manufactured at prison shops on the east coast, resulting in very high shipping costs. I should point out that a new facility has just been opened in Lompoc, Calif., and we hope that this will help solve that particular problem. A recent survey in one of our regions showed that road signs have cost approximately 30 percent more from Federal Prison Industries than local commercial shops, and routed wood trail signs cost as much as 100 percent more.

In 1978, the Forest Service and FPI signed a memorandum of understanding in an attempt to resolve these issues. In 1979 the Forest Service requested a servicewide clearance to allow procurement of signs from local commercial sources. The request was denied by FPI because of these legal restrictions that we are discussing today.

We conducted meetings, workshops, and special studies in coordination with FPI to try to alleviate sign procurement problems, and efforts are currently underway to establish a new memorandum of understanding which we think will result in a significant improvement of our sign procurement program.

When this new memorandum of understanding is implemented, it is intended to support FPI's needs and yet assure that the Forest Service sign procurement needs are met in a timely manner and at least cost. Federal Prison Industries should be highly competitive with private sign manufacturing firms, and we strongly support procurement from FPI where their manufacturing and transportation costs provide a cost advantage to the Government and their production schedules meet our needs.

We believe that current efforts to resolve our sign purchase problems with FPI make this proposed legislation unnecessary.

I would point out one final comment in view of the testimony which you have just heard, Mr. Chairman. In 1971, largely due to the efforts of Senator Montoya, I am told, the Forest Service was granted a waiver by FPI to purchase small wooden signs from Ojo Caliente Craftsmen, Inc., in Ojo Caliente, N. Mex. They have been certified by SBA as a qualified 8A contractor. In 1975, an attempt was made to terminate the waiver. However, it was changed to an annual waiver at that time and has been renewed each year since then. This has proven beneficial to us, and high-quality signs have been delivered by them at a very reasonable price and at an astounding delivery date of an average of 17 days.

So, although we are not recommending passage of this legislation, we strongly support a continuation of the waiver that we have with Ojo Caliente at this time.

Mr. Chairman, that concludes my remarks and I would be happy to try to answer any questions.

Senator MATHIAS. Thank you very much.

Mr. VAN ARSDALE. Mr. Chairman, my name is Gene Van Arsdale. I am Deputy Associate Administrator for Procurement and Technical Assistance at the Small Business Administration.

In summary, while we at SBA are quite conscious of our responsibility to aid, counsel, assist, and protect the interests of small business, we are also very much aware of the human and administrative needs served by the current law and regulation.

At this time, we believe that the best balance can be struck through the administrative process. We therefore do not recommend the passage of the legislation.

Mr. PIASECKI. Mr. Chairman, I am Ron Piasecki, Director of the Office of Acquisition and Property Management, Department of the Interior. I appreciate the opportunity to testify for the Secretary on S. 1747.

Under section 4124 of title 18, United States Code, Federal agencies are directed to purchase products from Federal Prison Industries, a Government corporation, to the extent that such products meet agency requirements and are available.

S. 1747 would amend section 4124 to provide that agencies need not obtain prior clearance from FPI to purchase products from other sources when the order is $20,000 or less, a previous order is unfilled within 120 days, or FPI cannot guarantee delivery within 120 days.

The Department of the Interior purchases a wide variety of products produced by the separate divisions of the FPI. My testimony discusses products purchased from the data/graphics division of FPI, since I understand the subcommittee is especially interested in that particular area.

Within the Department, six of our bureaus and offices procure signs, decals and related products of the data/graphics division on a regular basis. During fiscal year 1981, these activities made over 600 individual purchases of signs and decals from FPI totaling over $657,000.

On an annual basis, the National Park Service purchases between 350 and 500,000 dollars' worth of products from the data/graphics division. For more than 10 years, the park service has had an informal agreement with FPI whereby the corporation fabri-

cates signs for the parks. For the better part of this period, the park service experienced problems with this arrangement, especially regarding timely delivery.

In recent years, however, these problems have been mitigated. For example, in June 1981 the Southwest region of the park service in Santa Fe, N. Mex., needed clearance from FPI to purchase signs commercially. A meeting was held between the two agencies in Washington and agreement was reached that any time FPI could not meet the park service's specification or delivery requirements, it would be allowed to purchase signs and appurtenances from other Federal or commercial sources. Since June 1981, however, most of the park service sign orders have gone to FPI.

The other bureaus and offices within the Department, which are major users of the FPI, make individual purchases for signs and decals which are typically for small-quantity buys less than $10,000 in value. For special sign requirements or items that are needed urgently, clearance is received by FPI and the items are procured commercially if they are not available from used or excess Government property inventories, workshops for the blind or severely handicapped, or the Federal Supply Service of the General Services Administration.

Due to the highly decentralized nature of our procurement activities and in the time available to prepare this statement, we are unable to fully determine the impact the bill would have on the Department's operations. However, we believe that a large portion of our transactions with the FPI would fall under the $20,000 limit set forth in the bill. These requirements would be procured from the commercial marketplace if not available from other Federal sources of supply.

For those requirements under $10,000, we would be required to set aside the procurement for exclusive small business participation as required by Public Law 95-507. Requirements between $10,000 and $20,000 could be set aside for small business if a reasonable degree of competition could be anticipated. With regard to the purchase of signs and decals under the provisions of the bill, we are unable to determine the degree of competition which would be available from the commercial marketplace.

Since our sign needs continue to be satisfied through the use of the FPI, other Federal sources of supply or the private sector under FPI clearance procedures, we find S. 1747 to be unnecessary.

This concludes my testimony, Mr. Chairman. I will respond to any questions you or the subcommittee members may have.

Senator MATHIAS. You all seem to be generally supportive of the prison system's program. Indeed, from my personal point of view, it is highly important to have some positive occupation for people who are incarcerated in not only Federal prisons but all prisons.

One of the gravest mistakes that a society can make is simply to warehouse human beings and put them in storage for whatever their sentence, and put them out on the street again in no better condition than when they came into the system. We sometimes euphemistically call a prison system a correctional system, but if it does not do any correcting, it does not deserve that title.

So, I think that there has to be employment within prisons—employment which embodies training so that people who come into

the system without any means of earning a living leave the system with some craft or some skill that enables them to earn an honest living and be constructive and contributing members of society from the time of their release onward.

Very often, these training programs contemplate trades of carpentry, masonry, automobile mechanics and other skills, depending on the talents and the preferences of the trainee. And I do not think that there is a disposition on the part of anyone to disturb that pattern, but we have heard some description of problems that arise and you are apparently suggesting that it is within the capacity of the administrators to solve the problems.

Now, could there be a coordinating unit that would sort out the orders if you, say, get an order from a west coast park or other facility, to make sure that that order is channeled to a west coast prison facility? Is that a practical possibility?

Mr. MILES. Mr. Chairman, it is my understanding that the FPI is now attempting to minimize the transportation costs.

Senator MATHIAS. The FBI?

Mr. MILES. The FPI, the Federal Prison Industries.

Senator MATHIAS. I thought you said the FBI.

Mr. MILES. I apologize.

Senator MATHIAS. We are cutting down the FBI's money all the time, and I thought how could they take on this job?

Mr. MILES. They are attempting to manufacture the signs at locations close to the ordering office so that will help. They only have three manufacturing locations, and since our agencies are located across the country, sometimes transportation costs are very high.

What we are attempting to do in the forest service is negotiate a memorandum of understanding with Federal Prison Industries that would ask for quality, timeliness, and cost considerations. They would have to meet our requirements or, in other words, be competitive costwise, produce a product of equal quality to other manufacturers, and be timely in their delivery.

If they fail to meet these, then they would give us a blanket exemption to go out commercially and procure signs. We think that if we can execute such an agreement with FPI, this would be an administrative solution to most of the problems that we have.

Senator MATHIAS. Tell me how the system works. Suppose you have a need for some product that you assume can be produced by Federal Prison Industries. How do you place an order?

Mr. MILES. Our field office or whoever has that need submits an order.

Senator MATHIAS. Is there a catalog?

Mr. MILES. They provide us with a list of the products that they produce. A very large percentage of our signs are procured from Federal prisons, but some signs are procured from other institutions.

Senator MATHIAS. In other words, there is a publication, then, as to the products that are available?

Mr. MILES. I think there is. There may be several publications.

Mr. PIASECKI. Mr. Chairman, I have a copy of one of the catalogs that FPI does put out on signs which does describe all the products.

Senator MATHIAS. Well, if you can spare it, it might be useful just to complete the record here to have it as part of the record today.

Mr. PIASECKI. Yes, sir.

[Catalog referred to is on file with the subcommittee.]

Senator MATHIAS. Well, now, what about communications after the initial order is placed? Suppose there is a delay, or suppose the product is not exactly what you ordered. Is there a complaint window? How do you register your unhappiness if, in fact, you are unhappy?

Mr. PIASECKI. Within the Department of the Interior, one thing that is very fortunate with FPI is that we route all of our purchase orders right here to Washington, and so there is one point of contact. Once they receive the order and provide the estimate of what the cost is going to be, they farm it to one of three different locations—one in New York, one in the Texas area, and one out in California—and it is shipped from that point.

One point that I would like to make is anytime you are dealing with a monopoly, and FPI is a monopoly to us in this particular case, you have got to be on constant vigil to remind them that you are a valuable customer to them. Periodically, they forget, and periodically we have to come back and complain and sign memorandums of understanding.

While the sign business is very large from our standpoint, I think it represents a pretty small percentage of the total FPI product line. We have lately been very successful in bridging some of these administrative areas.

Senator MATHIAS. We are about to renumber all the rooms in the Senate office buildings. Suppose the Senate Rules Committee were to go to Prison Industries for those signs and it was absolutely necessary that we have them in place by January 3, when the new Congress begins, and we got up to New Year's Day and there were no signs up. Whom would we complain to? Where would we go?

Mr. PIASECKI. Fortunately, FPI is located right here in Washington, and I am sure they would be very responsive to your needs.

Senator MATHIAS. Well, what about the superintendent of the C&O Canal National Park, who is up in Hagerstown, Md.? It is a little park that does not get much attention and is a small factor in the huge empire of the Interior Department. Where does that fellow go for his signs?

Mr. PIASECKI. Fortunately for the Park Service, they have a pretty tight management program in the whole sign coordination area.

Senator MATHIAS. Apparently, the examples I am choosing are ones that are easy, but what does the fellow who is having trouble do?

Mr. MILES. These are real problems, and sometimes the first indication that the forest supervisor has is that the signs are not delivered, or if they are delivered, upon inspection the quality is not very good and so we have to start the process over.

One of the problems has been the backlog and the failure to deliver in a timely manner, and we do not always know that. I want to point out, however, that Federal Prison Industries has been meeting with us off and on for the last several months and is

making a major effort to try to cure some of these problems. We hope to agree that if they cannot deliver products in a timely manner, that information is given back to our forest supervisors so that they can take that order and give it to someone else.

Those problems that you mentioned have been real and have caused a great deal of concern to many of our managers in the field.

Senator MATHIAS. Now, you mentioned that there was a clearance request in 1979 which was denied by Federal Prison Industries because of legal restrictions, and that subsequently there was a memorandum of understanding. Will that overcome the legal restictions, or will any new legislation be necessary?

Mr. MILES. The law says that we buy these at commercial prices. One of the problems is that they determine what the price is; however, we have had trouble getting price lists from them. We are not always certain what the prices are going to be.

But if FPI gives us a waiver when they cannot meet the timeliness, cost or quality specifications that we send with our order to procure our signs commercially, our problems would be solved.

We think that this is consistent with the law. We think that the law currently provides adequate authority.

Senator MATHIAS. Is that how you interpret your memorandum of understanding?

Mr. MILES. Yes; and that is the way Federal Prison Industries would interpret it. We may need a legal determination on that, but that would be our interpretation.

Senator MATHIAS. Well, thank you very much, gentlemen.

[The prepared statements of Messrs. Miles and Van Arsdale follow:]

PREPARED STATEMENT OF JEROME MILES

Mr. Chairman and members of the committee, we appreciate the opportunity to appear before the committee to comment on S. 1747.

S. 1747 amends section 4124 of title 18, United States Code, relating to the purchase of prison-made products by Federal departments, to allow in certain cases, purchase of similar products from small businesses.

We support the Federal Prison Industries need to provide useful opportunities for prison inmates and agree that providing corrective and rehabilitative employment is important. For several years we have been purchasing most of our signs from Federal Prison Industries.

The Forest Service manages approximately 260,000 miles of roads and over 100,000 miles of trails. Associated with the management of this transportation network is the requirement for informational, directional, and regulatory signs to provide adequate public safety. Providing signs for our transportation network is designed to meet the standards established by the Federal Highway Administration (FHWA). Annually the Forest Service purchases an average of between $3 and $6 million worth of signs. Sign replacement is necessary because of weathering damage and vandalism.

The objective of the Forest Service is to provide new and replacement signs in a timely manner so as to provide for needed public safety and to do so at the least cost ot the Government.

We have worked closely with the Federal Prison Industries in the past to try to insure a timely and cost-effective procurement program. Despite this close coordination, the Forest Service has experienced, in a number of cases, long delays in receiving orders, high shipping costs, and signs that failed to meet standards.

Our records show some sign orders have been delayed up to 9 months between receipt and shipment. Often, the quality of sign workmanship is unacceptable, requiring that they be sent back to the FPI shop for remanufacturing. In some cases, signs ordered by National Forests on the west coast have been manufactured at

prison shops on the east coast, resulting in excessive shipping costs; however, a new facility has just opened in Lompoc, Calif., which may help with this problem. A recent survey in one of our Regions shows that road signs have cost approximately 30 percent more from FPI than at local commercial shops, and routed wood trail signs cost approximately 100 percent more from FPI than at local commercial sources.

In 1978, the Forest Service and FPI signed a Memorandum of Understanding in an attempt to resolve these problems.

In 1979, the Forest Service requested a Service-wide clearance from FPI to allow procurement of signs from local commercial sources. The request was denied by FPI on the basis of legal restrictions.

The Forest Service has conducted meetings, workshops, and special studies in coordination with Federal Prison Industries to try to alleviate sign procurement problems. Efforts are currently underway to establish a new Memorandum of Understanding which we believe will result in a significant improvement of our sign procurement program.

When implemented, the new Memorandum of Understanding is intended to support Federal Prison Industries' needs and yet assure that the Forest Service sign procurement needs are met in a timely manner at the least cost. Federal Prison Industries should be highly competitive with private sign manufacturing firms and we strongly support procurement from FPI where their manufacturing and transportation costs provide a cost advantage to the Government and their production schedules meet public safety requirements.

We believe these current efforts to resolve our sign purchase problems administratively makes the proposed legislation (S. 1747) unnecessary.

Mr. Chairman, one final comment I would like to point out is that in 1971, due to the efforts of Senator Montoya, the Forest Service was granted a waiver by FPI to purchase small wooden signs from the Ojo Caliente Craftsman Inc. in Ojo Caliente, N. Mex. Ojo Caliente Craftsman Inc. has been certified by the Small Business Administration as a qualified 8A contractor. In 1975, an attempt was made to terminate the waiver, however, after careful consideration, it was changed to an annual waiver which has been renewed each year since. This procurement arrangement has proven to be beneficial to the Government with high-quality signs being supplied at very reasonable rates with an average delivery time of 17 days. We strongly support continuation of this particular waiver.

Mr. Chairman, this concludes my remarks. I would be pleased to answer questions you may have or furnish additional details.

Prepared Statement of Gene Van Arsdale

Mr. Chairman and members of this subcommittee, I am pleased to appear before your subcommittee today to provide you with the views of the Small Business Administration on S. 1747, a bill relating to the purchase of prison-made products by Federal departments, or in certain cases, to allow for the purchase of similar products from small business.

It is my understanding that section 4124 of Title 18, United States Code, mandates that Federal departments and agencies purchase from the Federal Prison Industries such products that meet their requirements and which may be available.

S. 1747 would amend section 4124 by authorizing Federal agencies or departments to deal directly with a private sector in cases where—

(1) The order is for items amounting to $20,000 or less; or

(2) A previous order is unfulfilled within 120 working days; or

(3) When delivery cannot be guaranteed within 120 days.

Senator Harrison Schmitt, when he introduced the bill, noted in floor remarks that the existing law is over 50 years old and that his bill, S. 1747, was "designed to give the private sector and the public sector relief from the inefficiencies that sometimes result from old laws left unattended too long." Senator Schmitt attributed the present inefficiencies to a large backlog of orders; that the quality of materials being delivered was poor; and the cost of the FPI's to produce the product was high, therefore, the cost to the taxpayer was higher.

Mr. Chairman, I don't believe that any of us would dispute that it is very worthwhile to have Federal prisoners constructively employed. Those items that are produced by the FPI and which must be purchased by Federal contracting officers as a matter of first choice are items which, without doubt, can be manufactured by small and small disadvantaged businesses.

As Senator Schmitt has pointed out, when the Federal Prison Industries were established in 1930, Attorney General Graham expressed his desire "that the FPI should alleviate the appalling amount of idleness among the inmates without competing either with outside labor or private business." We support this theory.

Recent statistics which we obtained from the Federal Procurement Data System indicate that for the last 1½ years (fiscal year 1981 and the first two quarters of 1982) the Federal Prison Industries were awarded by the various Federal procuring agencies 457 contracts over $10,000 for a total of $18.6 million. The Justice Department has advised that, for approximately the same time period, total sales received from all Federal agencies for prison-made products in 1981 totalled $209 million. This indicates that approximately 91 percent of the total contract dollars awarded to FPI were under $10,000.

In summary, Mr. Chairman, let me say that the role of the Small Business Administration is to:

"Aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise, and to insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government be placed with small business enterprises, to insure that a fair proportion of the total sales of Government property be made to such enterprises, and to maintain and strengthen the overall economy of the Nation."

I would be remiss, Mr. Chairman, if I did not follow the direction of Congress. At the same time, I am reluctant to support legislation which would remove work from prison inmates.

Although SBA encourages the Federal Government to procure from small business, we feel that S. 1747 is not necessary and that any problems that arise should be handled administratively.

This concludes my statement and I will be pleased to answer any questions you may have.

Senator MATHIAS. Our final witness today is Mr. Norman Carlson, the Director of the Federal Bureau of Prisons.

Mr. Carlson, we welcome you back before the committee.

STATEMENT OF NORMAN A. CARLSON, DIRECTOR, BUREAU OF PRISONS, AND COMMISSIONER, FEDERAL PRISON INDUSTRIES, INC., U.S. DEPARTMENT OF JUSTICE, ACCOMPANIED BY GERALD FARKAS, ASSISTANT DIRECTOR AND ASSOCIATE COMMISSIONER, FEDERAL PRISON INDUSTRIES, INC.

Mr. CARLSON. Thank you Mr. Chairman. I am pleased to appear before the committee once again. I want to say at the outset that I am here today as Commissioner of Federal Prison Industries, which is the second hat I wear. I am also the Director of the Federal Bureau of Prisons. In the event you have any doubts, there is only one salary that goes with the two jobs. It is not a case of double-dipping.

Senator MATHIAS. Well, we have that experience here on Capitol Hill.

Mr. CARLSON. Mr. Chairman, I am accompanied this morning by Gerry Farkas, one of our assistant directors who has responsibility, among other things, for Federal Prison Industries.

I have submitted a prepared statement which, with your permission, I would like to introduce into the record and briefly summarize, if I may.

Senator MATHIAS. It will appear in the record.

Mr. CARLSON. By way of background, Mr. Chairman, as you have already indicated, Federal Prison Industries is a wholly owned Government corporation that was established in 1934 by James V. Bennett, who was the Director of the Bureau of Prisons for 27 years.

The objectives today are the same as when the corporation was established: First, problem of immates idleness in Federal institu-

tions, and second, to provide training opportunities for inmates confined by order of the Federal courts.

We sell goods and products only to other Federal agencies. The corporation is governed by a board of directors appointed by the President. At the present time, John Marshall Briley, a former executive vice president of Owens-Corning Fiberglas, serves as president of the corporation. Dr. William Morgan, the president emeritus of Colorado State University, is vice president. Other members include Lane Kirkland, president of the AFL–CIO, who has been a member of the board now for 2 years; Monica Herrera Smith, member of the California Youthful Offender Parole Board; and Peter Bensinger and Paul Shirley, both in private business.

The corporation is totally self-sustaining. It owns its own buildings, and it pays all civilian and inmate salaries and utilities. There are no appropriated funds used by Federal Prison Industries.

The profits of the corporation fund vocational training programs for Federal inmates. Last year, for example, over $3 million of profits were plowed back into institutions to fund such vocational training programs.

In addition, we pay other inmates who work in institutions. They receive stipends which come exclusively from the profits of Federal Prison Industries. Last year, that money was over $3.4 million.

Over the years, we have attempted to diversify the product line. We attempt to be as labor-intensive as possible in order to keep the maximum number of inmates constructively occupied, and to provide training in the various product lines and divisions that we have established.

At present, the corporation employs over 6,000 inmates, which represents one-third of the inmate working population in the Federal Prison System. Last year, the inmate payroll was over $8 million. Inmates can use these funds to purchase items from the commissary, or put them into savings accounts for their release from custody, and most important, to help their families in the community and perhaps keep many of them off the welfare rolls.

The corporation produces a variety of products including wood and metal furniture, electronic components, printing for Government agencies, computer programing, signs, shoes, mail bags for the Postal Service, and hospital clothing for the Veterans' Administration, just to give you a few examples of the goods and services offered.

There is no question in my mind, Mr. Chairman, that FPI serves a critical need in the Federal Prison System. I think one of the major differences between Federal and State prisons is the fact that we are able to constructively occupy over one-third of the inmate population for an 8-hour day. I think that by keeping the inmates occupied, we have significantly reduced the tension and frustration that are inherent problems in any prison system.

As you know, the legislation before the committee would require a major change in our operations. The present legislative mandate requires that Government agencies must purchase items if we produce them in Prison Industries. The same provisions, of course, protect industries operated by the blind as well as the severely handicapped.

Last year, Federal Prison Industries' total sales to Government agencies were $128 million. By my calculations, that represents one-tenth of 1 percent of all the goods and services purchased by the Federal Government. It is obviously a miniscule amount of the total Government procurements.

There are several major problems in Federal Prison Industries that have already been discussed. I would be the first to admit that we are aware of those problems, particularly in the area of sign manufacturing. We have had a number of delinquent orders. In addition, we have analyzed our prices and found that some have not been competitive.

At the same time, I want to assure you, Mr. Chairman, that we are trying to address these problems. We have made several personnel changes in the organization. We are attempting to work more closely with our customers because we realize that we are a monopoly in terms of the goods and services we produce for other Government agencies.

Mr. Chairman, we in the Department of Justice are opposed to the proposed changes under consideration by this committee. I think it would have a devastating impact on the Bureau of Prisons and create a number of major problems throughout Federal institutions.

We believe that if the legislation as presently written were enacted, it would affect approximately 38 percent of the total orders that we receive, which would have a major impact on Federal Prison Industries.

It would force Federal Prison Industries to concentrate on large product areas, which would adversely affect many of the training opportunities that we now provide because of the diversity of the various products that we manufacture.

I hope, Mr. Chairman, that you and members of the committee will give consideration to the impact that this legislation would have on the Bureau of Prisons, and particularly the ramifications it would have on our ability to keep inmates constructively occupied in the face of a very rapidly increasing inmate population. During the last 12 months, the population in Federal institutions increased by over 1,800 and from all the signs that we can see, the inmate population will continue to expand in the months and years ahead.

Let me conclude by saying that I would welcome you, other members of the committee, and members of your staff to visit institutions at any time to talk with staff and inmates. We ask that you see for yourself what we are trying to do in Federal Prison Industries to keep inmates constructively occupied and thereby reduce idleness and the problems and frustrations that are inherent in a prison system.

Senator MATHIAS. Well, I appreciate that invitation, Mr. Carlson, and I must say that that kind of visit is overdue. This committee should make regular visits to the prisons, and under the press of business we simply postpone that. We have not ignored it, because it is a serious responsibility of the Judiciary Committee, and I have to plead guilty for having postponed it for far too long. But I hope it will be possible to make some of those visits before too long.

What is the total volume of the Industries' dollar volume?

Mr. CARLSON. Sales last year, Mr. Chairman, were $128 million, which was a record year.

Senator MATHIAS. Have you made any studies as to the degree to which that is competitive with private products?

Mr. CARLSON. Mr. Chairman, we attempt, as we are required to do by statute, to be competitive with the private sector in terms of the goods and services we produce. I will admit that when you are talking about custom-made items, such as some of the signs we produce, it is difficult to project what the competitive prices will be.

Senator MATHIAS. By way of analogy, I think of the State prison industries which normally produce license tags for the State departments of motor vehicles, by whatever name they go. Now, you cannot go out on the market and buy a license tag; that is a single source procurement.

Mr. CARLSON. Yes, sir.

Senator MATHIAS. Is that a large part of your business? What percentage would you say that kind of thing is?

Mr. CARLSON. Mr. Chairman, we make no license plates.

Senator MATHIAS. I understand, but I am just thinking of that kind of single source——

Mr. CARLSON. I could submit that for the record, Mr. Chairman. I could not give you a detailed analysis. I will provide you with a breakdown of our various product lines and the percentage that they constitute of total sales.

[Subsequent to the hearing, the following table was submitted for the record:]

Divisions	Products	Sales	Percent of sales
Data/graphics	Computer programing information systems and data encoding services (keypunch, key-to-tape). General printing, wood and metal signs, drafting services.	$8,821,491	7
Electronics	Wiring devices of all types, electrical cable assemblies, electronic wiring harness, printed circuits, electronic systems, support, and the remanufacture of vehicular electronics systems.	23,198,367	18
Metals	Military office furniture, steel shelving, aluminum lockers, military beds, casters, bore brushes, tools and dies.	15,696,444	12
Shoe/brush	Military dress shoes, safety boots and shoes, orthopedic and custom shoes, institutional shoes; wide variety of paint, varnish and maintenance brushes. This division also directs the production of certain other items such as brooms, gloves, and automotive repairs.	15,433,925	12
Textiles	Cotton and wool textiles, canvas, canvas goods, synthetic textile products, mattresses, clothing, weather parachutes.	48,033,608	38
Wood/plastics	Allenwood walnut furniture, solid wood furniture, plastic laminated particle-board furniture, lifeboat repair, fiberglass molding and furniture refinishing.	16,762,343	13

Senator MATHIAS. Another example that might be more pertinent to your operation would be equipment for the Postal Service—mail bags and things of that sort—for which there is only one source and one market, as far as I know.

Mr. FARKAS. Mr. Chairman, if I could comment on that, there are a number of our products—for example, mail bags—where it is very difficult to determine the fair market price because there is such limited manufacture by so few firms.

For other products, such as signs to mention one example, we will go to a number of private industries that make signs and try to determine competitive prices. Again, as Mr. Carlson pointed out, on the custom-made signs, pricing is a lot more difficult because you cannot determine what to change until after you know all the materials and labor required. These are not common-use items.

With respect to standard signs and many of our electrical or furniture products, we will go out to manufacturers and see what costs are for comparable items.

Senator MATHIAS. Of course, as I said earlier, one of my own interests in Prison Industries is the training it gives to the inmates. If you do not compete to some extent with private industry, you are not living in a real world in which you are training them in realistic skills. So, there is a balance that has to be achieved there that has to be kept in mind.

Mr. CARLSON. If I may, Mr. Chairman, it also points out the necessity of diversification. If we concentrated on only one or two product lines, we would minimize the training opportunities that industries can provide. That is one reason we have 40 total product lines. Our goal is not to take over any one product line, but rather to provide as many opportunities in training as we possibly can.

Senator MATHIAS. I recall that prisoners of war during the Napoleonic Wars used to make whalebone models of ships, and they are considered works of art today and bring very high prices. But there must be only a limited market for whalebone models of ships, and the crafts such as carpentry and masonry and mechanics and other trades that meet daily needs really are the areas where training is most useful.

What about the question that has been raised here this morning of transporting the products?

Mr. CARLSON. Mr. Chairman, that was a legitimate concern and one that we have attempted to address. As the gentleman indicated, we now have three sign factories strategically located—one on the west coast in California, one on the east coast in upstate New York, and the other in Texas which generally supplies the south central region of the country.

We purposely have established the three sign factories in different areas so that we can geographically disperse orders and thereby do a better job of taking care of our customers' requests.

Senator MATHIAS. We have as part of the record one of your catalogs with an accompanying price list. Is this the kind of publication which is issued by the Prison Industries?

Mr. CARLSON. Yes, it is. That is an illustration of our catalogs and our price list. I might point out, Mr. Chairman, that both the catalog and price list are printed by inmates in one of our industrial printing plants.

Senator MATHIAS. Bootstrapping?

Mr. CARLSON. That is correct.

Senator MATHIAS. Well, as I am about to go from this meeting to a meeting of the Joint Committee on Printing to determine the wage scales for the Government Printing Office, I am glad to hear that that is not part of that particular problem.

But you feel that some improvements can be made in the problems that are created by transportation costs?

Mr. CARLSON. Mr. Chairman, I assure you I am aware of the problems. I have to apologize to the committee that we have not addressed them as vigorously as we should have. But Mr. Farkas and I are on top of them now and we have taken corrective action. We plan to take even more action in the months ahead.

Senator MATHIAS. Just off the top of your head, could either of you make a guess as to the number of orders you get in the course of a year?

Mr. FARKAS. Our orders average 8,000 to 9,000 per quarter. However, those numbers can be misleading because some of the orders are just a single-item order and others are very large.

Senator MATHIAS. But there are 8 or 9,000 pieces of paper that come in?

Mr. FARKAS. Yes.

Senator MATHIAS. Something less than 1,000 a month, assuming they come in in a——

Mr. FARKAS. They do not all come in at an even rate or at the same time.

Senator MATHIAS. Or about 250 a week. I am trying to break this down as to what kind of an administrative load it is to shift them around.

Well, I thank you both very much, gentlemen, for being here. Mr. Carlson, I repeat that I feel this committee has been derelict in not having been physically at prisons more often, discharging our oversight function here, and I hope that we can remedy that situation.

Mr. CARLSON. I sincerely hope so too, Mr. Chairman.

Senator MATHIAS. Thank you, Mr. Carlson. Thank you, Mr. Farkas.

[The prepared statement of Mr. Carlson follows:]

PREPARED STATEMENT OF NORMAN A. CARLSON

I appreciate the opportunity to testify before the committee concerning S. 1747. This bill would amend title 18 to permit, under certain circumstances, Federal agencies to purchase manufactured goods from commercial sources rather than from Federal Prison Industries.

By way of background, Federal Prison Industries is a wholly owned government corporation established in 1934 by an act of Congress which is included in chapter 307 of title 18 of the U.S. Code. The corporation is self-sustaining and receives no appropriations from the Congress. It is administered under the direction of the Attorney General and is governed by a six-member Board of Directors.

The Federal Government is the only source of business for Federal Prison Industries. Last year sales were $128 million. This is less than 1 percent of the total annual purchases of the entire Federal Government. During this same period, figures from the Federal Procurement Data Center report that Federal agencies made purchases of $31 billion from small business alone.

The mission of Federal Prison Industries is to provide employment for all physically fit inmates in Federal correctional institutions, and to give inmates an opportunity to acquire knowledge and skill in occupations which will provide them with a livelihood upon release.

Prison Industries is an integral part of the Federal Prison System and operates 75 factories in 38 of the 43 institutions. The corporation employs more than 6,000 inmates which represents approximately one-third of the total working inmate population.

Industrial operations are diversified and produce a variety of products including wood and metal furniture, electronic cable assemblies, textile goods, signs, printing, computer programing, and shoes. Product lines are chosen in part because they are labor intensive. This maximizes the number of inmates that can be employed and trained.

Inmates employed in Prison Industries learn specific work skills; and in many cases, this opportunity provides inmates with their first exposure to the demands of legitimate employment. We believe good work habits, punctuality, the ability to take directions, and work in cooperation with peers, are essential to any sustained employment following release to the community.

In addition to providing on-the-job work experience, moneys earned by Federal Prison Industries are used to fund vocational training programs and provide performance pay to inmates who work in maintenance jobs that support the overall prison operation. These programs are essential to managing safe and orderly institutions and would have to be supported by appropriated funds should Federal Prison Industries cease to make a profit.

Existing legislation provides that government agencies are required to purchase from Federal Prison Industries if the products they need are available and the terms of manufacture and delivery are acceptable. Similar mandatory provisions apply to the Blind and Other Severely Handicapped. When Federal Prison Industries cannot meet the requirements of the customer agency, the order is cleared for purchase from private industry.

The provisions of S. 1747 allowing a government agency to purchase from the private sector when the order is $20,000 or less would have a serious impact on business. These orders represent approximately one-third of the dollar volume of all orders. The proposed legislation would lead to a concentration of larger orders with less product diversification. The result would be an immediate loss of work for inmates and a loss of product lines which provide valuable training opportunities. A reduction in industries' profits would lead to a loss of industries' support of programs, and, consequently, a need for additional appropriated funds to sustain such activities as performance pay for maintenance workers and vocational training programs.

Federal Prison Industries attempts to work closely with its customers to negotiate acceptable terms of sale and delivery dates. There have, however, been instances when problems have occurred, which resulted in errors or delays in delivery. When this does happen, Prison Industries tries to make every effort to work with the customer in an attempt to correct the problems as quickly as possible. Please be assured that we will continue to work out problems with our customers as they occur.

The mission of Federal Prison Industries differs from the private sector because it was created for the expressed purpose of reducing idleness by employing and training inmates. Conversely, in the private sector, the priority is to make a profit. We believe the intention of the mandatory source requirements were included in the statutes so that Federal Prison Industries could carry out its mission in the priorities established by the legislation.

On the other hand, Federal Prison Industries is similar to the private sector in that it strives to provide the best possible products. Prison Industries continues to update and improve methods of manufacture and marketing. Toward this end, $4.8 million has been identified to modernize equipment over the next few years. The quality assurance program is being expanded along with the automated information system. To further enhance marketing, manufacturing, and delivery programs, Federal Prison Industries has initiated two projects. First, marketing consultants have been hired to analyze marketing operations. Second, an Advisory Council which is comprised of several business representatives from the private sector has been established. As these groups interact with Federal Prison Industries staff, industries managers should learn additional ways to better serve customer agencies.

In summary, the Federal Prison Industries' mission is to provide employment and training to inmates in the Federal Prison System. This can only be accomplished in a protected market. This bill would have an adverse effect on Prison Industries and would put pressure on the Federal Prison System in general. The product lines manufactured will become narrow in scope and repetitive, thus reducing the on-the-job training opportunities. The loss of inmate jobs, and the loss of funds provided for vocational training and performance pay, both supported by industry profits, will increase inmate idleness and make prison populations more difficult to manage. For these reasons, the Department of Justice opposes the passage of bill, S. 1747.

Mr. Chairman, that concludes my formal statement. If you or other members have any questions, I will be pleased to answer them.

Senator MATHIAS. The subcommittee will stand in adjournment, subject to the call of the Chair.

[Whereupon, at 10:47 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

○